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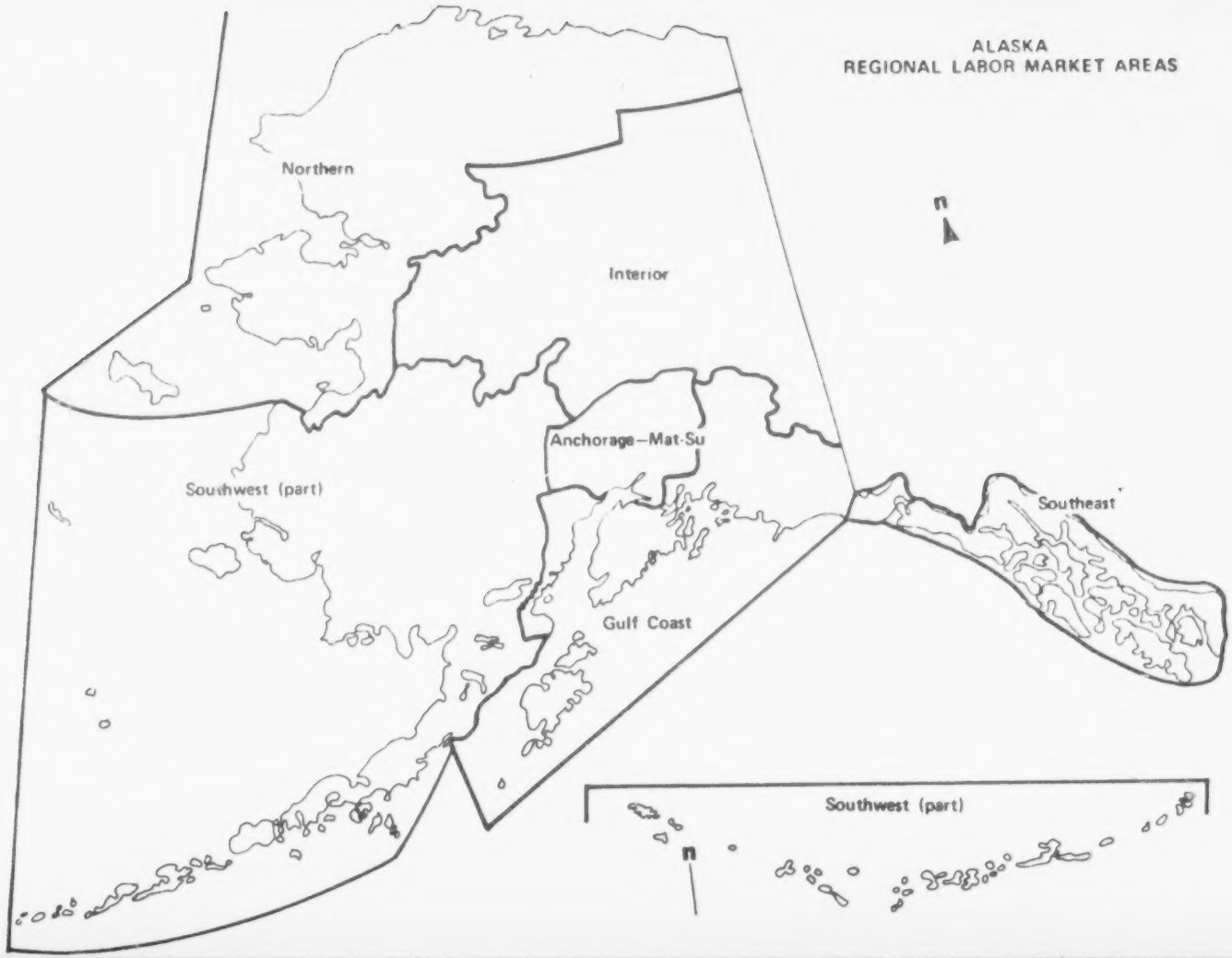
ALASKA DEPARTMENT OF LABOR
JAY S. HAMMOND, GOVERNOR

ALASKA ECONOMIC TRENDS

1—Japanese Demand for Alaskan Logs and Cants likely to decline

JANUARY 1982


ALASKA
REGIONAL LABOR MARKET AREAS
Northern
Interior
Anchorage–Mat-Su
Southwest (part)
Southeast
Gulf Coast
Southwest (part)

ALASKA ECONOMIC TRENDS

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ALASKA EXPORTS TO JAPAN

Part Two

By Brit Harvey

Exports to Japan are an important aspect of the Alaska economy. Alaska employment and economic growth are influenced by Japanese trade. In last month's issue there was an article discussing Japan's overall economy. This article focuses on specific Alaska industries which rely on Japanese markets.

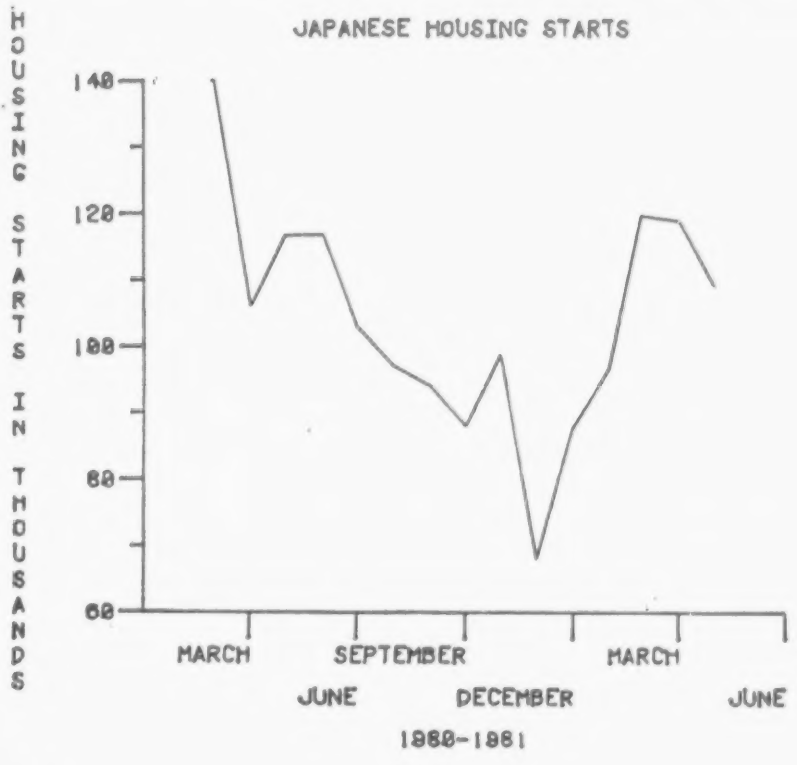
FOREST PRODUCTS

Of all Alaska industries, forest products is the most dependent on Japanese markets. The Alaska forest products industry is currently in recession due to lagging Japanese demand.// In the next decade overall Japanese demand is likely to gradually decline. This decline is likely to accelerate in the 1990's. The cyclical nature of Japanese construction activity will probably cause future episodes of curtailed production and employment similar to the current Alaska situation.

Logs and lumber are the largest U.S. export to Japan, with a value of $1.75 billion in 1979. The Alaska forest products industry has four major products; logs, cants, chips and pulp. Average employment in 1980 was 2,900, or 1.2% of total Alaska nonagricultural employment. The industry is primarily located in Southeast, where the average 1980 employment of 2,700 represented 9.6% of total employment.

Historically, Alaska commercial forests have been owned almost entirely by the federal government. Primary processing regulations prohibit the export of logs harvested on federal land in Alaska. Export of cants, which are squared-off logs, is allowed. Native corporations, which are exempt from primary processing laws, are now significant owners and harvesters of Alaska timber. The entry of native corporations into the industry ended the federal monopoly on timber and fundamentally altered the market. Both logs and cants are now exported to Japan whereas previously cants were dominant.

The industry is export-based. Almost 100% of all logs and cants produced in 1980 were exported.*2/* Over 95% of log and cant,*3/* 60% of pulp and 82% of chip production*4/* is exported to Japan. Although the market may diversify in the future to other Pacific rim nations, Japanese demand will continue its dominance. The outlook for Japanese demand is the crucial variable in predicting industry production and employment.



Houses account for 75% of Japanese lumber consumption.5/ Japanese housing starts are the most important economic indicator for the log and cant portion of the Alaska industry. Japanese housing starts are currently depressed (See Figure 1). The January 1981 total of 68,000 dwelling units was the lowest in 17 years.6/ While housing starts rebounded to 120,000 in April, large log inventories previously accumulated continued to depress the log market. The slump in the Alaska log and cant sector is directly attributable to the slowdown in Japanese housing construction.

The short-term outlook for Japanese housing starts is, "a crawl along the low-level mark for some time to come," according to the Industrial Bank of Japan.7/ Log and lumber inventories are still above normal. A predicted increase in Japanese personal income in 1982 may help increase demand for housing, and by extension demand for Alaska logs and cants.

The long-term demand for Alaska logs and cants is a complex issue. Japan's demographic profile is unusually mature. Future years will see a diminishing number of Japanese enter the period of peak household formation. Fewer new units will be required by an increasingly elderly population. The proportion of houses constructed primarily of wood is also expected to decline continuously through 2000.8/ Counteracting these trends will be an increase in average house size from the current 800 sq. ft.9/ Extremely expensive land will continue to limit house sizes, however. Overall housing starts are likely to remain steady in the 1980's, although perhaps at a lower level than the 1.6 million units annual average predicted in 1980 before the current slump. Housing starts in the 1990's are likely to decline gradually.

Given a stable or slowly contracting market, Alaskan producers will need to maintain or expand market share to continue exporting to Japan at current levels. The primary competitor for the Alaska share of the Japanese market will probably be Japanese domestic producers. Japanese forests were severly depleted during World War II. Replanting occurred after the war, and was particularly heavy in the 1960's, with large areas put into "plantation" production. Replanted forests are now reaching maturity.

The contribution of Japanese production to the Japanese market is crucial and difficult to predict. If Japanese production

increases substantially, the Alaska industry will undoubtedly contract to some extent. While it is physically possible for Japan to expand production to the point of net exportation, it is likely that Japanese production will increase more gradually. High domestic production costs, extensive Alaska capital investment, and a aesthetic preference for old-growth wood will favor Alaska products in the Japanese market through the 1980's.

A 1980 U.S. Forest Service study/10/ predicted U.S. roundlog exports to Japan under two scenarios. The predictions under the scenario considered more likely by Juneau U.S.F.S. regional economist Jow Mehrkens are listed below.11

Year	Japanese log production (Mill. M3)	U.S. log exports to Japan (Mill. M3)
1976 actual	20.9	10.4
1981-1985	22.5	11.0
1986-1990	25.3	9.7
1991-1995	29.0	8.1
1996-2000	33.6	5.3

Judging from the best information currently available, it seems likely that Japanese demand for Alaska logs and cants will decline gradually in the 1980's and more steeply in the 1990's. The cyclicity of the Japanese housing construction industry will continue to result in fluctuations in Alaska production and employment. Maturing Japanese domestic forests will sooner or later introduce added competition. Alaska producers will most likely need to develop alternative markets to avoid declining log and cant production and employment in the late 1980's or 1990's.

Japanese demand for pulp and wood chips is expected to increase through 1990 at a 3.5% annual rate./12/ Just under half of Alaska pulp production capacity is Japanese-owned. Production for the Japanese market is likely to be relatively stable in the 1980's. Cyclical fluctuations, such as the current diminished production, will continue to occur, although probably not to the extent of the log and cant sector. The Japanese market is less dominant in Alaska's pulp and chip sector than in logs and cants. It's effect on pulp and chip employment in the next decade will likely be stable.

Forest products employment will probably experience a gradual shift from sawmill employment to logging and log sorting employment. Japanese importers prefer roundlogs to cants. Primary processing laws have in the past made Alaska logs generally unavailable. As the native corporations expand production, logs will displace cants, given static demand. This will result in the employment shift, and possibly some overall decline. Native corporation preference for employing shareholders may also result in some change in the composition of forest products industry employees.

In summary, Japanese demand for Alaska forest products is likely to decline slightly in the 1980's. The potential exists for a more rapid decline in the 1980's should Alaska fail to hold a price advantage over Japanese domestic production. Pulp and chip related employment should maintain its historical level and experience less cyclical fluctuation than log and cant employment. Log and cant employment will experience the majority of whatever long-term changes or cyclical fluctuations occur, and will likely also see compositional shifts.

ENERGY

Japanese energy consumption is second only to the U.S. Japan imported 91.2% of its energy supply in 1979, if nuclear energy based on uranium imports are included.*13/* While Taiwan and Korea are important energy importers, the Japanese market is by far the largest of Pacific Rim nations.

The Japanese consider diversification of their energy sources a crucial goal in the 1980's. In 1980 Japan was 68.2% dependent on oil, and 73.2% of Japan's oil came from the Middle East.*14/* The Japanese are committed to diversifying both the type and source of energy imports in an attempt to enhance supply reliability and price stability. Alaska may be able to take advantage of the changes Japan is planning to make in its energy purchases.

In the short-term, oil is the only Alaska energy product which could be exported to Japan. Export of Alaska oil was prohibited by Congress when the pipeline was approved. Japan imports oil from Mexico's gulf coast, while Alaska oil is transported to

U.S. Gulf Coast refineries. The tankers pass at the Panama Canal. A "trade" would decrease shipping costs at both ends, diversify Japan's sources of crude oil, and benefit all parties concerned with the exception of U.S. shipping interests.

The powerful Japanese Ministry of International Trade and Industry (MITI) projects Japanese coal consumption in 1990 at 1.9 million barrels of oil equivalent per day, or more than nine times the 1979 consumption.*15/* The groundwork for this 23% annual increase in coal use is currently being laid. Expanded coal use requires mine, transportation and generating facility development. Generating facilities must be matched to the characteristics of the coal to be burned. A recent Shell Coal Ltd. Study outlined the large amount of capital required to expand Japanese coal use. The estimated cost in current dollars to mine, transport and generate electricity in Japan from 5 million tons per year of Australian coal was $3.8 billion. An outlook for long-term stability is necessary to justify such large capital investments.

Japanese firms recently entered into long-term agreements to import Canadian and Austalian coal. The Canadian deal involves 6 million metric tons of coal over a 15-year period, and will require $1.5 billion of infrastructure investment in remote northeastern British Columbia.

Can Alaska take advantage of the rapidly expanding Japanese coal market? Alaska coal, while plentiful, is low of quality. This apparently has deterred Japanese firms. Due to long lead times, and Alaska production associated with the Japanese market must be planned soon if it is to occur in the 1980's.

Aside from its low quality, Alaska coal has numerous advantages in supplying Japanese demand. Alaska is politically stable, large deposits of coal are close to tidewater, shipping distances are relatively short, and the potential exists for state subsidy of coal-related infrastructural development. While it appears that coal exports to Japan will not generate significant Alaska employment for most of the 1980's, Japan's huge demand and Alaska's equally huge supply are likely to be matched at some point in the future.

FISHERIES

Japan is the world's largest importer of seafood, and the most important export market for Alaska seafood products. In 1980 Japan imported the following percentages of Alaska production of these selected seafocds.*16/*

Fresh and frozen salmon	60%
Canned salmon	2%
Frozen king crab	21%
Frozen tanner crab	32%

Consistent with a general westernization of Japanese life styles, Japanese diets have changed dramatically in the past quarter-century. Per capita protein intake has more than doubled and consumption of protein from non-seafood sources rose six-fold, replacing seafood in the late seventies as the larger source of protein in the average Japanese diet. Japanese per capita seafood consumption did not increase in the late seventies, and appears to have leveled off.*17/*

The price of fish in Japanese markets increased geometrically in the 1970's, and only the cheapest fish such as mackeral and squid compare in price with poultry. While consumers have supported these high prices, the collapse of the 1980 herring roe market demostrated that a limit exists.

Extensive Japanese investment in the Alaska industry, estimated variously at 60% to 80%, tends to insure access to the Japanese market.

Future Japanese demand for Alaska seafood will be influenced by several factors:

1) Overall Japanese Seafood Demand - Projections call for gradually increasing Japanese seafood demand through the rest of the century.*18/* Imports are expected to expand rapidly as a result of 200-mile zone exclusions of Japanese ships. These projections are for all fish, with bottomfish making up a large share.

2) Prices - Japan has generally experienced single-digit inflation in the past decade, while the prices of Alaska seafood imports have risen at substantially higher rates. Until the past two years, the rapid price increases have cushioned the Alaska industry. Although it is not clear at what point consumers will rebel, it is likely that the era of large, compound price increases as seen during the 70's is over.

3) Japanese Personal Income - As luxury foods, Alaska seafood exports to Japan are particularly sensitive to Japanese personal income fluctuations.

Overall, the outlook for production and employment based on exports to Japan appears fairly strong. Increasing overall Japanese demand for seafood, extensive Japanese investment in the Alaska fisheries industry, continuing consumer demand for Alaska products despite recent price increases, and a relatively good outlook for Japanese personal income all support continuing strong demand.

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1/ "Alaska Construction and Oil." Sept. 1981; p. 39

2/ Conversation with David Darr, U.S. Forest Service Experiment Station, Portland; 11/23/81

3/ Ruderman, Florence; "Production Prices, Employment and Trade." 4th Quarter, 1980; p. 17, 28

4/ Mehrkens, Joseph; "Southeast Alaska Timber Supply and Demand;" 1981; p. 11

5/ Udea, Mishihiko and Darr, David; "The Outlook for Housing in Japan to the Year 2000;" 1980

6/ Japanese Lumber Journal; 3/31/81; p. 1

7/ Industrial Bank of Japan Monthly Report; August 1981; p. 17

8, 9/ See 5 above

10 Gallagher, Paul; "An Analysis of the Softwood Log Trade Between the United States and Japan;" 1980

11 Conversation with Joseph Mehrkens, U.S. Forest Service; 11/25/81

12/ See 4 above; p. 41

13, 14, 15 Chase Manhattan Bank; "The Petroleum Situation;" April 1981

16/ Conversation with NMFS Juneau Office; 3 21 81

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ALASKA LABOR FORCE IN NOVEMBER

By Brit Harvey

Alaska wage and salary employment declined in November by 1.3% to 180,100 jobs. This decline was unsually small, resulting in a seasonally adjusted employment figure of 182,600, the highest of the year, and an employment increase over the year of 6.9%. Seasonal adjustment removes seasonal effects and helps reveal underlying trends. Alaska's economy is contracting as winter approaches, but not to the extent of previous years.

It is likely that the atypically shallow decline in economic activity and employment experienced this fall will continue through the winter. Indeed, Alaska's oil and gas wealth-driven economy may be entering a period of diminished seasonality. Oil and gas, and construction are joining government, the traditional source of employment stability, in tempering the severity of the winter seasonal decline. An economy less subject to winter contraction is likely to support expanded employment in the secondary industries where roughly three-quarters of Alaska's private sector employment is concentrated.

Resistance to seasonal contraction was particularly procounced in construction. Normally highly seasonal, construction employment declined only 12%.

Seasonally adjusted, construction employment increased 5.1% to 13,815, the highest level of the year (see graph).

There is good reason to expect continued expansion of seasonally adjusted construction this winter. Anchorage office construction and North Slope oil field development should remain strong through spring. The State appropriation/bid award scheduling tends to force late summer construction start-up, pushing construction into fall. With the possible exception of office construction in Anchorage, the forces which are deseasonalizing construction are likely to remain in effect for several years.

Oil and gas industry employment increased 5.0% in November, spurred by the advent of the arctic winter drilling season. Oil and gas employment has not exhibited identifiable seasonality in the past, as oil and gas activities tend to occur fairly evenly throughout the year. The rapid expansion of oil and gas

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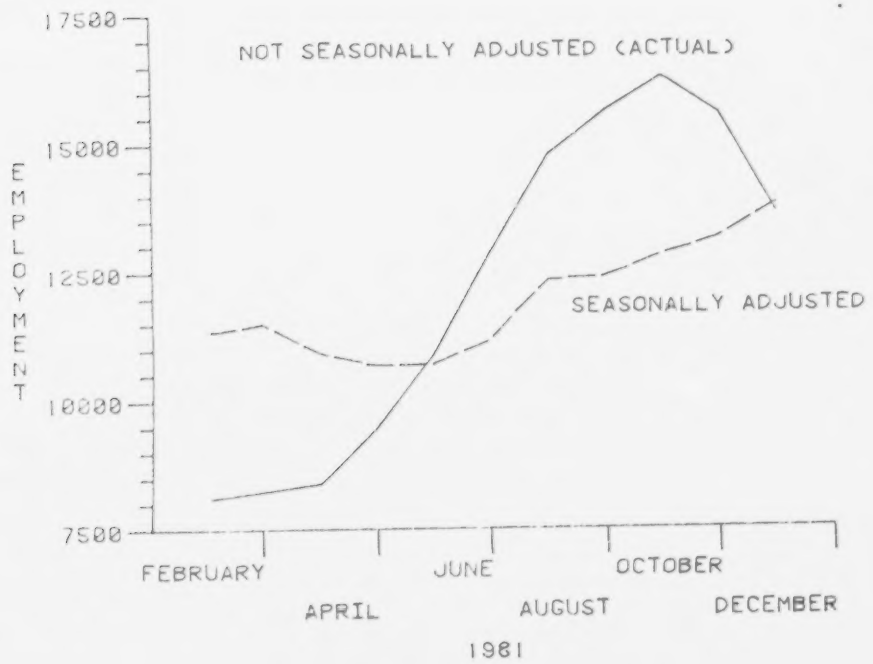
ALASKA CONSTRUCTION EMPLOYMENT



employment in the last year and a half directly expanded employment in an industry not subject to seasonal fluctuation, and indirectly decreased seasonality in secondary industries such as transportation and services.

Lumber and pulp employment continued its decline in November, losing 45 jobs. The depression in this sector is forcing difficult decisions, particularly by native corporation timber owners. Low prices currently offered in the weak Japanese market suggest the desirability of deferring harvests. Yet corporate sales and shareholder employment require some harvest. It is also not clear how long it will be before prices begin to rise. In this difficult business environment harvest decisions are apparently being based less on weather and more on emerging native corporate criteria. Native corporation logging peaked in November, and is scheduled to begin again in January. It was this native corporation contribution in November which prevented logging from experiencing a steeper decline from its depressed October level.

Seafood processing employment took a 20% dive in November. Poor crab catches forced prices up, some processors withdrew from the market due to price competition, and employment was diminished.

Government employment trends were split between educational and noneducational sectors. While educational employers added jobs, noneducational employment dropped by 100. One year after Ronald Reagan's election, federal employment in Alaska is down 2.3%.

Among the secondary industries, transportation, communications and utilities, and trade employment declined by 0.9%. Services dropped 2.6%, with hotels and motels and miscellaneous business services accounting for almost half the decline. Finance, insurance and real estate employment increased slightly, as it has in past November's.

The long-term outlook for Alaska employment is heavily influenced by oil wealth. November saw several events of note related to Alaska's oil situation.

The National Petroleum Council preliminary report on Alaska's oil potential was made public. The council, composed of industry executives, estimated econmically recoverable re-

serves of oil and gas equivalent to 20.6 billion barrels of oil assuming a 10% return on industry investment. This compares to 9.6 billion barrels of oil estimated for Prudhoe Bay. Costs for offshore drilling were estimated to run as high as $0.5 million per day, and a single well was estimated to cost $90 million in the Chukchi Sea.

World oil prices continued to decline in November as Libya granted tax concessions, effectively lowering its prices $1 per barrel. Several studies predict declining real oil prices. William Brown of the Hudson Institute, writing in "Fortune," // suggests that nominal oil prices may decline by 1985 to as low as $20 to $15 per barrel. While other experts disagree with Brown, declining real oil prices would have the following effects on Alaska's economy and employment:

1) Curtailed development of marginal oil fields

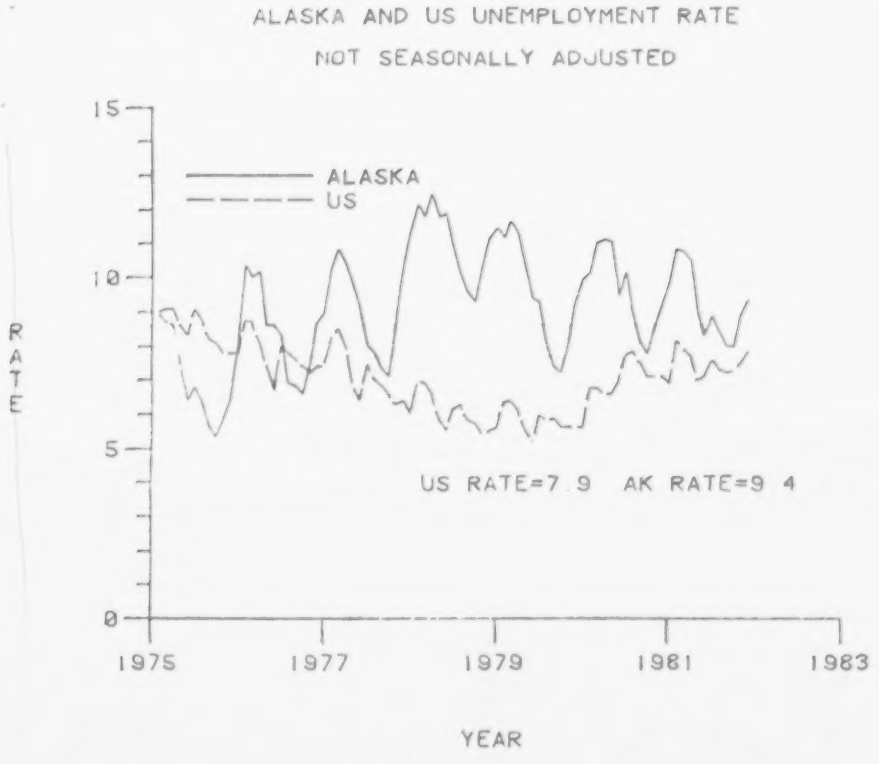
2) Diminished incentive for coal development

3) Lessened state revenue

4) Possible exacerbation of financing difficulties surrounding the gasline.

World oil prices are perhaps the most important single variable forecasting Alaska's economic growth and employment.

A house energy subcommittee staff report released in November detailed the "incredible" dichotomy between oil industry and non-oil industry profits in the period 1978 to 1980. During this period Fortune 500 oil and gas industry corporate profits increased at a 51.0% annual compound rate, as compared to 0.4% for non-oil corporations on Fortune's list. 96% of total net income increase for the nation's 1,000 largest corporations went to the 82 oil and gas industry companies, with the other 918 sharing only 4%. This phenomenal shift of corporate profits to the energy sector is boosting the economy of energy-rich states such as Alaska.



Finally, the largest onshore oil and gas lease sale in U.S. history was announced for the National Petroleum Reserve-Alaska.

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
BY PLACE OF WORK
ALASKA

			CHANGES FROM:		
	11/81 P	10/81 R	11/80	10/81	11/80
Nonag. Wage & Salary	180100	182800	169500	-2700	11600
Mining	7600	7500	6800	100	800
Construction	13600	15500	10400	-1900	3200
Manufacturing	9200	10500	11200	-1300	-2000
Food & Kindred Prod.	4000	4800	5700	-800	-1700
Lumber & Paper Prod.	2400	2500	2800	-100	-400
All Other Mfg.	2800	3200	2700	-400	100
Trans. Comm. & Util.	17700	18000	16600	-300	1100
Trucking & Whseing.	2100	2100	1700	0	400
Water Transportation	1200	1300	1200	-100	0
Air Transportation	5500	5600	5200	-100	300
Other Transportation Comm. & Utilities	8900	9000	8500	-100	400
Trade	32100	32300	29500	-200	2600
Wholesale Trade	6200	6200	5300	0	900
Retail Trade	25900	26100	24200	-200	1700
Gen. Merchandise & Apparel	4500	4400	4300	100	200
Food Stores	4400	4400	4000	0	400
Eating & Drinking Places	8900	9200	8000	-300	900
Other Retail Trade	8100	8100	7900	0	200
Finance-Ins. & R. Estate	8700	8700	8200	0	500
Services & Misc.	31600	32400	29400	-800	2200
Government	59600	57900	56400	1700	3200
Federal Government	17600	17500	18100	100	-500
State Government	17100	17200	16000	-100	1100
Local Government	24900	23200	22300	1700	2600

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date March 1980.

P Denotes preliminary estimates.

R Denotes revised estimates.

THE ANCHORAGE-MATSU LABOR FORCE IN NOVEMBER

By Greg Huff

November's nonagricultural wage and salary employment for the Anchorage-MatSu labor market region continued the seasonal slide from the peak of summer. Over the month loss for the region was 1,450 jobs (1.5% decline), with the Anchorage area losing 1,250 of the total lost. However, even with this decline in nonagricultural employment, the seasonally adjusted nonagricultural employment index again registered gains over the previous month. November's index rose to the 181.1 mark. This can be interpreted that the seasonal downturn masks the underlying improvement in employment and generally strong economy despite normal seasonal trends. In addition, the region is feeling a greater impact than the remainder of the state.

Declines in construction employment represented the brunt of the seasonal slide, decreasing 13.6% (1,250 jobs), and next month more of the same is expected. December's construction employment will settle betweem May and Junes levels, when the climb to the peak began this year.

LABOR FORCE BY REGION AND CENSUS DIVISION

	Labor Force			Unemployment			Rate			Employment		
	11/81	10/81	11/80	11/81	10/81	11/80	11/81	10/81	11/80	11/81	10/81	11/80
Alaska Statewide	196864	198183	185053	18445	17705	16964	9.4	8.9	9.2	178419	180478	168089
Anch.-MatSu Region	100620	101110	90393	7500	7585	7004	7.5	7.5	7.7	93120	93525	83389
Anchorage	90462	90989	81099	6280	6441	5714	6.9	7.1	7.0	84182	84548	75385
Matanuska-Susitna	10158	10121	9294	1220	1144	1290	12.0	11.3	13.9	8938	8977	8004
Gulf Coast Region	21826	22249	21294	2875	2373	2509	13.2	10.7	11.8	18951	19876	18785
Cordova	1171	1191	1155	139	108	132	11.9	9.1	11.4	1032	1083	1023
Kenai	11137	11421	10965	1558	1375	1470	14.0	12.0	13.4	9579	10046	9495
Kodiak	4754	4698	4437	625	368	344	13.1	7.8	7.8	4129	4330	4093
Seward	1592	1649	1554	271	263	244	17.0	15.9	15.7	1321	1386	1310
Valdez	3172	3290	3183	282	259	319	8.9	7.9	10.0	2890	3031	2864
Interior Region	26043	26623	25138	3214	3070	2941	12.3	11.5	11.7	22829	23553	22197
Fairbanks	21213	21669	20433	2619	2486	2353	12.3	11.5	11.5	18594	19183	18080
Southeast Fairbanks	2126	2195	2038	232	241	197	10.9	11.0	9.7	1894	1954	1841
Upper Yukon	589	606	605	73	73	103	12.4	12.0	17.0	516	533	502
Yukon-Koyukuk	2115	2153	2062	290	270	288	13.7	12.5	14.0	1825	1883	1774
Northern Region	8767	8605	8259	626	609	679	7.1	7.1	8.2	8141	7996	7580
Barrow-North Slope	2565	2548	2347	168	193	115	6.5	7.6	4.9	2397	2355	2232
Kobuk	2552	2500	2452	205	194	266	8.0	7.8	10.8	2347	2306	2186
Nome	3650	3557	3460	253	222	298	6.9	6.2	8.6	3397	3335	3162

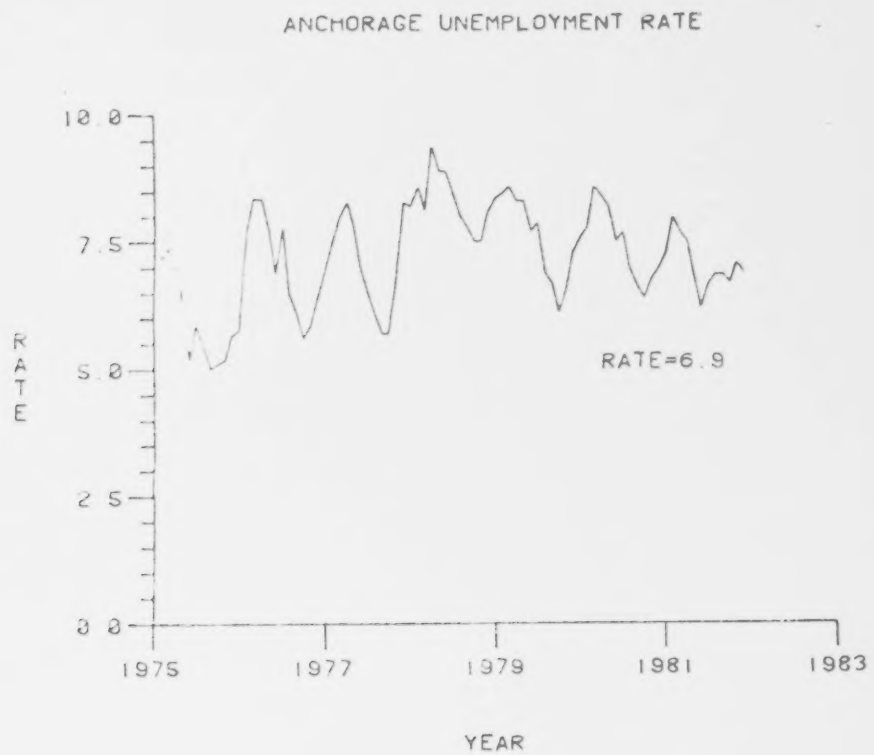
Southeast Region	29456	29615	28918	3279	3271	2933	11.1	11.0	10.1	26177	26344	25985
Angoon	456	465	466	48	54	61	10.5	11.6	13.1	408	411	405
Haines	1078	1074	1130	108	98	168	10.0	9.1	14.9	970	976	962
Juneau	10169	10236	10073	831	838	803	8.2	8.2	8.0	9338	9398	9270
Ketchikan	6166	6217	5961	808	825	642	13.1	13.3	10.8	5358	5392	5319
Outer Ketchikan	1062	1139	1042	195	266	181	18.4	23.4	17.4	867	873	861
Prince of Wales	1608	1624	1573	179	186	155	11.1	11.5	9.9	1429	1438	1418
Sitka	4083	4068	4012	409	371	365	10.0	9.1	9.1	3674	3697	3647
Skagway	1704	1683	1664	224	194	195	13.1	11.5	11.7	1480	1489	1469
Wrangell-Petersburg	3130	3109	2997	477	439	363	15.2	14.1	12.1	2653	2670	2634
Southwest Region	10152	9981	11051	951	797	898	9.4	8.0	8.1	9201	9184	10153
Aleutian Islands	2290	2256	2514	121	91	121	5.3	4.0	4.8	2169	2165	2393
Bethel	3429	3389	3704	424	390	388	12.4	11.5	10.5	3005	2999	3316
Bristol Bay Borough	409	408	436	37	37	26	9.0	9.1	6.0	372	371	410
Bristol Bay	1342	1320	1465	103	83	98	7.7	6.3	6.7	1239	1237	1367
Kuskokwim	1039	989	1102	141	92	111	13.6	9.3	10.1	898	897	991
Wade Hampton	1643	1619	1830	125	104	154	7.6	6.4	8.4	1518	1515	1676

[P] Preliminary [R] Revised 1980 Benchmark

Federal guidelines require the use of unrounded labor data, adjusted to be consistent with the Current Population Survey (CPS) in formulas used to allocate federal funds. Comparisons between different time periods are not as meaningful as other time series published by the Alaska Department of Labor; because Alaska's CPS sample size is inadequate to accurately indicate monthly changes in level. The sampling errors are random in nature; meaning that the unemployment rates, in any given month, are as likely to be high as frequently as they are low. The official definitions of unemployment, currently in place, exclude anyone who has made no attempt to find work in the four week period up to and including the week that includes the twelfth of each month. Most economists feel that Alaska's bush localities have proportionately more of these discouraged workers.

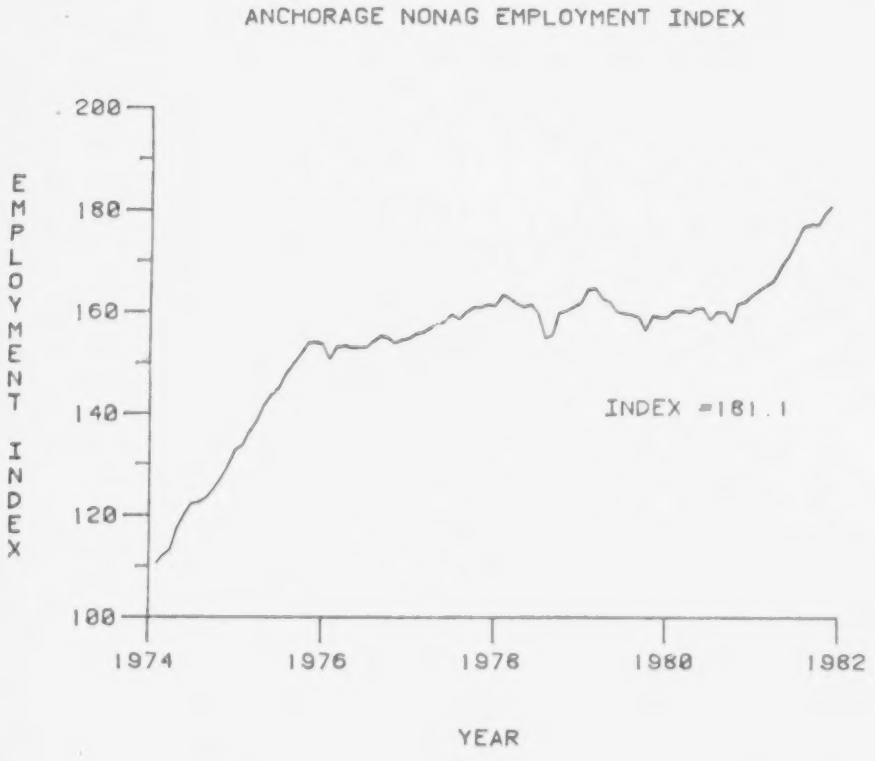
Despite seasonal declines, construction activity and employment remain strong. At year end, construction employment (annual average) in the Anchorage-MatSu labor market region will register gains of at least 13% over year ago levels. In addition, over the year growth in the region has consistently outpaced statewide growth, resulting in the regions percentage share of statewide construction employment to increase. In November 58% of statewide construction employment was located in the Anchorage-MatSu labor market region. This compares to 52% last year.

Focusing on the region's construction employment mix; MatSu's construction activity, hence employment, is primarily related to residential construction, whereas in Anchorage both residential and commercial construction are both major forces on construction employment. The region's residential construction employment in November made up over 61% of total statewide construction employment. In comparison, Anchor-



age itself provides over 54%, while MatSu residential construction provides 7% of statewide construction employment. A different picture appears when examining commercial construction employment. Anchorage supplied 65.4% of the state total, whereas the regions total is 66.4%, leaving a small percentage share in MatSu. The fact that Anchorage supplies the state with 65.4% of total commercial construction employment and, in comparison, represents 48% of total statewide nonagricultural employment and 43% of the states population, clearly indicating that Anchorage is getting a larger share of the construction activity than the balance of the State.

MatSu residential construction employment has experienced much improvement over last year. Last year, in November, MatSu residential construction represented slightly over 1% of residential construction employment statewide. This November marked 7% of statewide total and throughout the summer months the percentage share of state total has been above last



year. This improvement can be attributed to the low mortgage loans available through state funding and the influx of people from places outside the borough, particularly Anchorage. (The MatSu Borough was the fastest gropwing census area in the state between 1970 and 1980). MatSu has become an alternative to living in Anchorage. Reasons vary, but the 10% to 20% lower home costs lure many from Anchorage to the valley.

Not only did construction employment increase its position over the year, as measured by percentage share of statewide employment, but total nonagricultural wage and salary employment has also registered gains over last year. This holds true for nearly every main industry group. Last November the regions percentage share was 48.6%. This year it represented 50.5%, a 3.9% increase. This falls in line with comparisons between growth rates over the year. Statewide growth from November to Novenıber registered 6.9%, while Anchorage-MatSu increased 11.2% over year ago levels.

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
BY PLACE OF WORK
ANCHORAGE-MATSU

			CHANGES FROM		
	11/81 P	10/81 R	11/80	10/81	11/80
Nonag. Wage & Salary	91000	92450	81950	-1450	9050
Mining	3300	3300	2450	0	850
Construction	7950	9200	5500	-1250	2450
Manufacturing	1950	2100	1650	-150	300
Trans. Comm. & Util.	8900	9050	8200	-150	700
Trade	19600	19500	17500	100	2100
Finance-Ins. & R. Estate	6000	6000	5450	0	550
Services & Misc.	18350	18550	17250	-200	1100
Government	24950	24750	23950	200	1000

Government includes teachers in primary and secondary schools. and personnel employed by the University of Alaska

Benchmark Date March 1980.

P Denotes preliminary estimates.

R Denotes revised estimates.

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
BY PLACE OF WORK
ANCHORAGE

			CHANGES FROM:		
	11/81 P/	10/81 R/	11/80	10/81	11/80
Nonag. Wage & Salary	87550	88800	78900	-1250	8650
Mining	3250	3200	2400	50	850
Construction	7650	8850	5350	-1200	2300
Manufacturing	1900	2000	1600	-100	300
Food & Kindred Prod.	300	300	250	0	50
Other Mfg.	1600	1700	1350	-100	250
Trans. Comm. & Util.	8550	8650	7850	-100	700
Trucking & Whseing.	1150	1150	900	0	250
Water Transportation	450	450	400	0	50
Air Transportation	3050	3100	3000	-50	50
Other Transportation Comm. & Utilities	3900	3950	3550	-50	350
Trade	18850	18750	16800	100	2050
Wholesale Trade	4550	4500	4000	50	550
Retail Trade	14300	14250	12800	50	1500
Gen. Merchandise	2050	1950	1900	100	150
Food Stores	2150	2100	1800	50	350
Eating & Drinking Places	4800	4850	4250	-50	550
Other Retail Trade	5300	5350	4850	-50	450
Finance-Ins. & R. Estate	5950	5950	5300	0	650
Services & Misc.	17850	18050	16900	-200	950
Government	23550	23350	22700	200	850
Federal	9800	9800	9650	0	150
State	5900	5800	5400	100	500
Local	7850	7750	7650	100	200

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date March 1980.

P/ Denotes preliminary estimates.

R/ Denotes revised estimates.

As construction employment falls, trade employment is shifting to its peak. Retail trade in Anchorage jumped a notch over last month rising to 14,300. The month to month increase came as a result of an increase in food stores and general merchandise employment, offsetting declines in eating and drinking places and other retail trade.

The over the month picture in trade is more of the same—growth. Retail trade employment was up above last November's level by over 1,500 workers, a 11.7% increase. The largest absolute increase came in eating and drinking places with an addition of 550 workers (12.9%). The increase came mostly from an increase in the number of firms. The largest percentage increase was in food store employment with a gain of 19.4% (350 jobs). This increase was also primarily as a result of additional stores opening their doors in Anchorage. Both general merchandise and other retail trade employment experienced milder increases of 7.9% and 7.3%. These increases were slightly more mixed in nature; with new stores opening in Anchorage (for example, the Northway Mall) contributing the brunt of the increase and the remainder due to greater Christmas season employment this year than last.

The Census Bureau has recently released a supplementary report on Standard Metropolitan Statistical Areas. According to this report, Anchorage was the 35th fastest growing SMSA in the nation out of 323 SMSA's. Anchorage ranked 194 in size in 1980 compared to 217 in 1970. For those not familiar with census language the general concept of an SMSA is one of a large population nucleus, with adjacent communities which have a high degree of economic and social intergration with that nucleus. Each SMSA has one or more central counties (boroughs in Alaska) containing the areas main population with an urbanized area of at least 50,000 inhabitants. Anchorage is Alaska's only SMSA.

FAIRBANKS/INTERIOR LABOR FORCE IN NOVEMBER

By Neal Fried

With the rivers freezing up, and snow beginning to fall, the Interior's seasonal industries continued to lose employment in November. Very few of the Interior's industries are insulated from these winter dips in employment. This is particularly true for the section of the Interior which excludes Fairbanks. This includes the census divisions of Yukon-Koyukuk, Upper Yukon and Southeast Fairbanks. Throughout the remainder of this article, references to the Interior will include only these three divisions. This area is largely made up of small communities along the Interior's major highways and isolated communities which can be reached only by air or water.

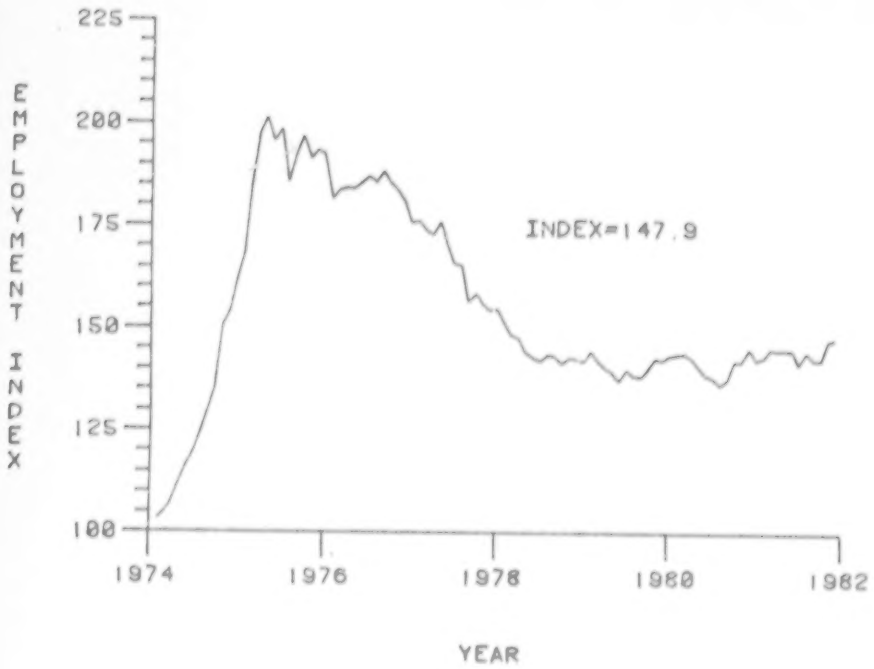
Employment will typically fluctuate in the Interior by as much as 29%, from its lowest employment point of the year (January) to its peak (August-September). This is 10 percentage points more fluctuation than Fairbanks experiences over a one year period. November's employment illustrates this difference well. Fairbanks lost employment in four industries, gained in two and remained stable in the remaining industry. The remainder of the Interior lost employment in all industries but one. The Interior's over-the-month decline was 9% and Fairbanks' was 3%. This is a typical yearly occurrence, and given the Interior's employment make up, and its general lack of an economic infrastructure, it is not surprising as seasonality dominates its economies. Employment in such industries as mining, construction and transportation, are extremely seasonal. When the creeks freeze up, most mining activity ceases, and snow and cold cut deeply into construction. Transportation employment falls since it complements the industries mentioned above, and water transportation simply comes to a halt.

Industries which typically provide stability to an area's economy, such as trade, finance, and services, are very small in the Interior and therefore do not provide much of a moderating force on the seasonal industries. For example, retail trade employment's share in the Interior is less than half Fairbanks' and finance is only one third. Services which is one of the Interior's larger industries, employs 11% of its work force compared to Fairbanks' 19%. Because these industries are small, they too ride the rough seasonal employment waves in the Interior. Even government, Interior's largest industry (employing 51% of the work force) is far more seasonal than is the case in Fairbanks. This is because fire fighting crews, park service, highway and fish and game personnel perform a great deal of seasonal work in the Interior.

This seasonality does not necessarily attest to the Interior's lack of economic health, but instead reflects the fact that there is not enough economic activity in the area to support an economic infrastructure, which can provide for a stable work force. Much of Alaska's work force is seasonal, with less fluctuation occurring in the urban centers and more in areas where the economies are small or depend upon one or two major seasonal industries. For some economies in the Interior, this may be a simple stage of economic development and for others there will be little change.

The Fairbanks October Consumer Price Index released this month brought good news to Fairbanks—at least temporarily. The index recorded the lowest increase in prices since its inception in February of 1979. The annual rate of change registered a 7.2% increase, compared to 9.9% for the nation. The annual rate of change has been falling in the range of 7.2%-10.8% during 1981. All major categories grew less

FAIRBANKS NONAG EMPLOYMENT INDEX



rapidly than the nation's. Both housing and transportation were responsible for most of the increase.

Prices nationally are projected to fall in the near future, largely because of the recession presently experienced in most of the country. This likely will put downward pressures on prices. Because most of the goods and sevices in Fairbanks originate from somewhere else in the country, this may help to keep Fairbank's low rate. On the other hand, some local economic forces in Fairbanks could more than offset this. With the rental market tightening up, the housing portion of the index is expected to increase in Fairbanks. Utility rates are also expected to increase in Fairbanks significantly in the upcoming months and this too will put upward pressure on the index. Other categories such as food and clothing are not likely to fall any further. It is difficult to forecast inflation, but an overall 9-10% range for the next 12 months can be expected in Fairbanks.

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
BY PLACE OF WORK
INTERIOR

				CHANGES FROM	
	11/81	**10/81**	**11/80**	**10/81**	**11/80**
Nonag. Wage & Salary	25300	26450	24700	-1150	600
Mining	200	250	150	-50	50
Construction	1950	2450	1700	-500	250
Manufacturing	650	700	850	-50	-200
Trans. Comm. & Util.	3400	3550	3300	-150	100
Trade	4250	4400	4150	-150	100
Finance-Ins. & R. Estate	800	800	800	0	0
Services & Misc.	4250	4450	4000	-200	250
Government	9800	9850	9750	-50	50

Government includes teachers in primary and secondary schools and personnel employed by the University of Alaska

Benchmark Date March 1980

' Denotes preliminary estimates

* Denotes revised estimates

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
BY PLACE OF WORK
FAIRBANKS

				CHANGES FROM:	
	11/81 P	10/81 R	11/80	10/81	11/80
Nonag. Wage & Salary	22000	22700	21200	-700	800
Mining	50	50	50	0	0
Construction	1800	2350	1600	-550	200
Manufacturing	450	500	650	-50	-200
Trans. Comm. & Util.	2600	2650	2550	-50	50
Trucking & Whseing.	400	400	350	0	50
Air Transportation	650	650	650	0	0
Other Trans. Comm. & Utilities	1550	1600	1550	-50	0
Trade	4100	4000	3900	100	200
Wholesale Trade	650	650	700	0	-50
Retail Trade	3450	3350	3200	100	250
Gen. Merchandise & Apparel	450	400	400	50	50
Food Stores	600	550	600	50	0
Other Retail Trade	2400	2400	2200	0	200
Finance-Ins. & R. Estate	750	750	750	0	0
Services & Misc.	3850	4050	3650	-200	200
Government	8400	8350	8050	50	350
Federal	2400	2400	2250	0	150
State	3650	3600	3600	50	50
Local	2350	2350	2200	0	150

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date March 1980.

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R Denotes revised estimates.

GULF COAST LABOR FORCE IN NOVEMBER

By Neal Fried

This month's labor force statistics for the Gulf Coast have moved in predictable ways. Employment fell, unemployment grew, and the rate climbed. The only dynamic part is that this month's unemployment rate of 13.2% is 2.5 points above the corresponding month last year. Employment has grown for this period, but obviously not fast enough to accommodate the increasing number of job seekers. This phenomenon is presently occurring in most of Alaska's urban areas and the only explanation is that there has been a larger than normal influx of job seekers. Typically, the number of outside job seekers grows during the spring and summer months, but this winter the number of recent newcomers has remained at abnormally high levels. With this, and the usual winter employment contraction, the job market appears to be coming extremely competitive. If this is a forewarning for what is to come in the spring and summer, the labor market for the Gulf Coast and the remainder of the state will be difficult for many job hunters to crack.

Nonagricultural wage and salary employment fell this month, with most of the losses coming from fish processing. The slowing down of the king crab season has brought on the losses in manufacturing, and these losses can be expected to continue for the next 2-3 months, until the tanner crab season gets underway.

These ups and downs in fish processing employment have a big effect on particular areas within the region. One of these areas reportred on last month was Kodiak. The only other area whose economic destiny is almost entirely tied to the fishing industry is Cordova. The remainder of the areas within the Gulf Coast region are dependent upon the industry to varying degrees.

The Cordova census division, as defined by the Department of Labor includes not only the community of Cordova but also McCarthy, Cape Yakataga and the surrounding area. The community of Cordova, however, is responsible for more than 90% of the census division's employment, and therefore both the census division and the community of Cordova's labor force are virtually synonymous.

Cordova's wage and salary employment has grown by 56% over the decade, making it the only area in the region which has grown more slowly than the state's overall average. This is both because Cordova received little or no stimulus from the construction of the oil pipeline and its fish processing capabilities have not been quite as dynamic as some other areas in the state. Nevertheless, the fishing industry is Cordova's largest employer, employing 29% of the wage and salary work force. It has also been the second fastest growing industry during the decade—increasing by 122%. Employment in this industry is the least static of all the industries during a year's time, peaking at 829 workers in July, and decending to 91 in November. No historical figures exist on the number of fishermen and crew for the Prince William Sound fishery, (which makes Cordova its base) for 1979. The annual average was 588, reaching a peak of 1,597 in July. Though many of these fishermen are not permanent residents of Cordova, it does indicate the importance of this fishery.

All other industries in Cordova have grown as a result of the growth in the fishing industry. Transportation has grown the most rapidly (222%), and government the slowest (52%). Government is Cordova's second largest employer, however, employing approximately 26% of Cordova's wage and salary employment. Most of government's growth came from state and local government, with little or no growth registering in the federal sector. Most other industries in Cordova have grown more slowly than the fish industry. This is not unusual in an

economy which is too small to take advantage of economies of scale, and therefore is not able to support a large secondary sector.

Though Cordova was hardly touched by the oil pipeline experience, it is now reaping some of the wealth from the oil, through additional state expenditures. Much of this effort will go to construction, which is presently one of Cordova's smallest industries, and in the long run it will provide additional infrastructure to the fishing industry. Presently the largest project underway (which is funded by federal, state and local sources)

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
BY PLACE OF WORK
GULF COAST

				CHANGES FROM:	
	11/81 P	10/81 R	11/80	10/81	11/80
Nonag. Wage & Salary	15850	16750	15850	-900	0
Mining	850	850	850	0	0
Construction	1000	1150	800	-150	200
Manufacturing	2700	3550	3200	-850	-500
Food & Kindred Prod	1900	2700	2200	-800	-300
All Other Mfg.	800	850	1000	-50	-200
Trans. Comm. & Util	1700	1650	1600	50	100
Trade	2300	2300	2300	0	0
Wholesale Trade	350	350	300	0	50
Retail Trade	1950	1950	2000	0	-50
Finance-Ins. & R. Estate	450	450	450	0	0
Services & Misc	2450	2500	2400	-50	50
Government	4400	4300	4250	100	150
Federal	500	500	550	0	-50
State	1350	1350	1350	0	0
Local	2550	2450	2350	100	200

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska

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is the $11 million expansion of Cordova's boat harbor. The break water is expected to be completed by early next year and dredging will begin next spring. The harbor is planned to be completed by 1983. This project will double the size of the present harbor. Additional water and sewer projects to the tune of approximately $4 million are presently undwerway, or will be underway during the next year. Some of these projects will also help to enhance the fishing industry by providing the fish processors with added supplies of water. A number of smaller projects are also underway which will provide additional stimuli to Cordova's economy.

Cordova's future will continue to be nearly completely tied to the fishing industry. This means its growth or lack of it will largely depend upon the health of the Prince William Sound fishery. If the near past's exceptionally good salmon catch is any indication of what is to come in the near future, then Cordova's economy will continue to grow.

SOUTHEAST ALASKA LABOR FORCE IN NOVEMBER

By Debbie Berggren

Nonagricultural wage and salary employment decreased in November by 550 jobs or 2.1%, but is still 500 jobs, or 2.0%, above year-ago. Construction, mining, services & miscellaneous, and government industries were the only industries which experienced employment decreases.

Due to seasonal declines, construction employment decreased approximately 250 jobs. Mining, services & miscellaneous also experienced seasonal downturns, dropping about 200 jobs. As a whole, government decreased 100 jobs. Federal and state government experienced employment decreases of 50 and 150 jobs respectively. Local government was the only major industry which experienced an employment increase during November.

Overall, manufacturing employment was unchanged from October. Food and kindred products employment decreased slightly, offsetting the increase in the all other manufacturing sector. Lumber and paper products employment showed no change over October. This was due to the native logging companies reaching peak employment during the month, offsetting the job loses from other companies.

Transportation, communication and utilities, trade, and finance, insurance and real estate industries reflected no employment gains or losses during the month.

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
BY PLACE OF WORK
SOUTHEAST ALASKA

			CHANGES FROM:		
	11/81 P	10/81 R	11/80	10/81	11/80
Nonag. Wage & Salary	25950	26500	25450	-550	500
Construction	1350	1600	1150	-250	200
Manufacturing	2650	2650	2700	0	-50
Food & Kindred Prod.	500	550	500	-50	0
Lumber & Paper Prod.	1900	1900	1950	0	-50
All Other Mfg.	250	200	250	50	0
Trans. Comm. & Util.	2550	2550	2550	0	0
Trade	3950	3950	3800	0	150
Wholesale Trade	400	400	350	0	50
Retail Trade	3550	3550	3450	0	100
Finance-Ins. & R. Estate	1000	1000	1100	0	-100
Mining, Services & Misc.	3400	3600	3300	-200	100
Government	11050	11150	10850	-100	200
Federal	2150	2200	2500	-50	-350
State	4900	5050	4600	-150	300
Local	4000	3900	3750	100	250

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date March 1980.

P Denotes preliminary estimates.

R Denotes revised estimates.

HOURS AND EARNINGS IN OCTOBER

By Su Nelson

Average weekly hours in the mining industry decreased by 5%. This was primarily due to hard rock miners working shorter hours. Because of this and a slight drop in average hourly earnings, mining's average weekly earnings dropped 7%.

Though average weekly hours in construction increased slightly, average hourly earnings decreased 6% due to fewer overtime and double time hours being worked.

Upon initially looking at the manufacturing industry and it's components, it would seem that lumber and paper products are doing well, as are food and kindred products. This is somewhat misleading however, as there has been a significant net loss in logging employment recently. It just happens that those employees still working are working longer (plus 16%) hours than in September, causing their average weekly earnings to increase 20%. Food processing's increased hours were due to similar reasons, where those companies still operating are getting into the crab and shrimp seasons.

The transportation industry's increase in average hourly earnings was due to several small factors, which combined to make the 4.7% jump. One factor was that many telephone and electric companies are installing new lines and updating their systems. The employees who do these projects are paid at a higher rate. In several trucking and barge companies, there was some decrease in employment, leaving only higher paid employees. The decline in average weekly hours balanced this wage increase, so that the weekly earnings were very close to September's.

Another significant change (plus 6%) occurred in wholesale trade's average weekly hours. After the slump in weekly hours during September, October's hours pulled back up nearer to August's.

ALASKA
HOURS AND EARNINGS
FOR
SELECTED INDUSTRIES [1/] [2/]

	Average Hourly Earnings			Average Weekly Hours			Average Weekly Earnings		
	p/ 10/81	r/ 9/81	10/80	p/ 10/81	r/ 9/81	10/80	p/ 10/81	r/ 9/81	10/80
MINING	20.27	20.77	17.10	49.5	52.1	50.8	1003.37	1082.12	868.68
CONTRACT CONST.	21.88	23.22	21.82	44.2	43.4	47.3	967.10	1007.75	1032.09
MANUFACTURING	12.65	12.08	10.38	38.1	34.6	47.2	481.96	417.97	489.94
Food & Kindred Prod.	9.03	8.73	7.84	33.1	30.4	55.1	298.89	265.39	431.98
Lumber & Paper Prod.	14.81	14.34	13.90	44.3	38.1	38.9	656.08	546.35	540.71
TRANS., COMM. & UTIL.	14.77	14.03	13.22	37.9	39.3	38.8	559.78	551.38	512.94
TRADE	9.48	9 52	9.20	34.3	33.8	35.5	325.16	321.78	326.60
Wholesale Trade	11.82	12.11	11.24	37.1	36.5	42.9	438.52	442.02	482.20
Retail Trade	8.48	8.50	8.35	33.2	32.9	33.1	281.54	279.65	276.38
FINANCE, INS. & R.E.	--	--	--	--	--	--	330.13	330.38	294.56

[1/] Prepared in cooperation with the Bureau of Labor Statistics, U.S. Department of Labor

[2/] Excludes eating and drinking establishments

AVERAGE HOURS AND EARNINGS SERIES: Averages are based on data for full and part time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing) and are for gross earnings and hours paid, including overtime pay and hours.